

Enghouse Releases Third Quarter Results

FOR IMMEDIATE RELEASE

Markham, Ontario – (September 2, 2010) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited third quarter financial results for the period ended July 31, 2010.

Third quarter revenue was \$26.0 million, compared to \$23.4 million reported in the same period last year, an increase of approximately 11%. Net income for the third quarter was \$3.2 million or \$0.13 per share on a diluted basis compared to the prior year's third quarter net income of \$2.4 million or \$0.10 per share. The increase in revenue was the result of increased license and services revenue attributable to recent acquisitions Pulse Voice Inc. ("Pulse") acquired November 1, 2009, Mettoni Ltd. ("Mettoni") acquired on April 6, 2010 and Telrex LLC ("Telrex") acquired on June 1, 2010. As has become the norm, revenue and operating costs are impacted by the continued volatility of foreign exchange as outlined in the MD&A.

Operating expenses increased to \$12.5 million from \$10.6 million in the prior year's third quarter and include incremental operating costs related to acquisitions and the impact of foreign exchange on U.S. dollar denominated operating expenses converted to Canadian dollars. Non-cash amortization charges were \$2.4 million compared to \$1.8 million in the prior year's third quarter and include amortization charges for acquired software and other intangibles from recently acquired operations which added \$0.8 million to amortization expense in the quarter.

The Company generated cash flows from operations of \$9.1 million in the third quarter compared to \$7.2 million in the prior year's third quarter, closing the quarter with \$77.1 million in cash and short-term investments compared to \$93.2 million at October 31, 2009, which is after payment of Mettoni acquisition costs of approximately \$22.3 million, \$4.6 million for Pulse and \$3.5 million for the Telrex acquisition. The Company continues to have no long-term debt.

The Board of Directors today authorized an eligible quarterly dividend of \$0.04 per common share, payable on November 30, 2010 to shareholders of record at the close of business on November 16, 2010. The Company remains committed to its strategy of seeking further acquisitions to continue to diversify its revenue stream and expand its market presence.

About Enghouse

Enghouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and managed growth. Enghouse shares are listed on the Toronto Stock Exchange under the symbol "ESL". Further information about Enghouse may be obtained from the Company's web site at www.enghouse.com.

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Enghouse Systems Limited
Consolidated Balance Sheets
(in thousands of Canadian dollars)
(Unaudited)

	July 31, 2010	October 31, 2009
Assets		
Current		
Cash	\$ 47,459	\$ 39,276
Short-term investments	29,681	53,876
Accounts receivable, net	23,293	17,017
Future income taxes	1,245	973
Prepaid expenses and other assets	4,022	2,434
	<u>105,700</u>	<u>113,576</u>
Property and equipment, net	2,006	1,576
Acquired software and other intangibles, net	36,550	22,934
Goodwill	36,051	19,965
Future income taxes	3,725	3,183
	<u>\$ 184,032</u>	<u>\$ 161,234</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	19,777	17,107
Income taxes payable	1,540	1,473
Dividends payable	1,007	746
Deferred revenue	28,771	15,765
	<u>51,095</u>	<u>35,091</u>
Future income taxes	12,528	8,693
Long-term income taxes payable	588	1,043
Deferred revenue	616	197
	<u>64,827</u>	<u>45,024</u>
Shareholders' Equity		
Share capital	50,685	49,780
Contributed surplus	2,318	2,047
Retained earnings	77,186	73,142
Accumulated other comprehensive loss	(10,984)	(8,759)
	<u>119,205</u>	<u>116,210</u>
	<u>\$ 184,032</u>	<u>\$ 161,234</u>

Enghouse Systems Limited
Consolidated Statements of Operations and Retained Earnings
(in thousands of Canadian dollars except per share amounts)
(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2010	2009	2010	2009
Revenue				
Software licenses	\$ 8,387	\$ 7,889	\$ 21,404	\$ 17,450
Services	16,929	13,747	43,401	37,810
Hardware	715	1,717	2,025	3,155
	26,031	23,353	66,830	58,415
Cost of sales				
Software licenses	1,272	1,517	3,443	3,029
Services	5,992	4,883	15,937	14,751
Hardware	542	1,238	1,386	2,518
	7,806	7,638	20,766	20,298
Gross margin	18,225	15,715	46,064	38,117
Operating expenses				
Selling, general and administrative	9,173	7,118	22,365	17,649
Research and development	2,922	3,152	8,990	9,117
Amortization of property and equipment	369	320	975	979
	12,464	10,590	32,330	27,745
Income before the undernoted	5,761	5,125	13,734	10,372
Amortization of acquired software and other intangibles	(2,417)	(1,840)	(5,983)	(5,505)
Foreign exchange gain	207	107	148	182
Interest income, net	68	228	295	1,175
Other income	378	24	942	24
Income before income taxes	3,997	3,644	9,136	6,248
Provision for income taxes				
Current	1,057	373	2,139	1,419
Future	(262)	840	185	666
Net income for the period	\$ 3,202	\$ 2,431	\$ 6,812	\$ 4,163
Retained earnings, beginning of period	\$ 74,991	\$ 69,865	\$ 73,142	\$ 72,015
Dividends	(1,007)	(746)	(2,768)	(2,115)
Purchase and cancellation of common shares	-	(175)	-	(2,688)
Retained earnings, end of period	\$ 77,186	\$ 71,375	\$ 77,186	\$ 71,375
Earnings per share				
Basic	\$ 0.13	\$ 0.10	\$ 0.27	\$ 0.17
Diluted	\$ 0.13	\$ 0.10	\$ 0.27	\$ 0.17
Weighted average shares outstanding during period (millions)				
- basic	25.2	24.9	25.1	25.0
- diluted	25.4	25.2	25.3	25.1

Enghouse Systems Limited
Consolidated Statements of Comprehensive Income and Accumulated Other
Comprehensive Loss
(in thousands of Canadian dollars)
(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2010	2009	2010	2009
Net income for the period	\$ 3,202	\$ 2,431	\$ 6,812	\$ 4,163
Other comprehensive income (loss):				
Unrealized gain (loss) on translating financial statements of self-sustaining foreign operations	1,747	(2,891)	(2,873)	(3,839)
Transfer to net income of realized gains on available for sale investments, net of tax of (\$114) (nine months – (\$284))	(263)	(16)	(657)	(172)
Unrealized gain (loss) on available for sale investments, net of tax of \$195 (nine months – \$613)	451	429	1,416	(505)
Unrealized foreign currency translation gain (loss) on available for sale investments, net of tax of \$18 (nine months – (\$48))	41	71	(111)	731
Other comprehensive income (loss)	\$ 1,976	\$ (2,407)	\$ (2,225)	\$ (3,785)
Comprehensive income	\$ 5,178	\$ 24	\$ 4,587	\$ 378
Accumulated other comprehensive loss, beginning of period	\$ (12,960)	\$ (4,597)	\$ (8,759)	\$ (3,219)
Other comprehensive income (loss)	1,976	(2,407)	(2,225)	(3,785)
Accumulated other comprehensive loss, end of period	\$ (10,984)	\$ (7,004)	\$ (10,984)	\$ (7,004)

Enghouse Systems Limited
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended July 31		For the nine months ended July 31	
	2010	2009	2010	2009
Cash flows from operating activities				
Net income for the period	\$ 3,202	\$ 2,431	\$ 6,812	\$ 4,163
Add (deduct) items not involving cash				
Amortization of property and equipment	369	320	975	979
Amortization of acquired software and other intangibles	2,417	1,840	5,983	5,505
Stock-based compensation expense	111	88	271	169
Gain on sale of short-term investments	(378)	(24)	(942)	(24)
Future income taxes	(262)	840	185	666
Cash flows before changes in operating assets and liabilities	5,459	5,495	13,284	11,458
Changes in operating assets and liabilities				
Decrease (increase) in accounts receivable, net	1,894	(1,144)	1,594	3,126
Decrease (increase) in prepaid expenses and other assets	589	353	(446)	269
Increase (decrease) in accounts payable and accrued liabilities	1,281	4,103	(4,564)	1,622
Increase (decrease) in current income taxes payable	537	133	(861)	(2,377)
Increase (decrease) in deferred revenue	1,041	(1,932)	8,679	(60)
Unrealized foreign exchange (gain) loss	(1,691)	164	(1,428)	(144)
Cash flows from operating activities	9,110	7,172	16,258	13,894
Cash flows from investing activities				
Purchase of property and equipment, net	(51)	(98)	(609)	(354)
Acquisitions, net of cash acquired	(4,804)	(75)	(30,131)	(6,935)
Proceeds from sale of short-term investments	2,583	888	25,287	21,168
	(2,272)	715	(5,453)	13,879
Cash flows from financing activities				
Issuance of share capital	-	5	905	955
Payment of cash dividend	(1,007)	(748)	(2,507)	(2,005)
Purchase and cancellation of common shares	-	(259)	-	(4,477)
	(1,007)	(1,002)	(1,602)	(5,527)
Effect of foreign exchange rate changes on cash	602	(1,952)	(1,020)	(2,342)
Net increase in cash during the period	6,433	4,933	8,183	19,904
Cash – beginning of period	41,026	27,302	39,276	12,331
Cash – end of period	\$ 47,459	\$ 32,235	\$ 47,459	\$ 32,235
Supplementary cash flow information:				
Cash paid during the period for income taxes	\$ 333	\$ 289	\$ 2,418	\$ 1,665

Note: Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended		Nine Months ended	
	July 31, 2010	July 31, 2009	July 31, 2010	July 31, 2009
Revenue:				
Asset Management Division	\$ 3,629	\$ 2,481	\$ 10,004	\$ 7,221
Syntellect Division	22,402	20,872	56,826	51,194
Total	\$ 26,031	\$ 23,353	\$ 66,830	\$ 58,415
Segment Profit (EBIT):				
Asset Management Division	\$ 1,268	\$ (89)	\$ 2,067	\$ (440)
Syntellect Division	2,650	4,070	7,549	7,131
Corporate	(574)	(696)	(1,865)	(1,824)
Foreign Exchange	207	107	148	182
Interest and other income	446	252	1,237	1,199
Total	\$ 3,997	\$ 3,644	\$ 9,136	\$ 6,248